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SUBJECT: SHIMON PERES CONCERNED ABOUT JORDAN'S STABILITY

Classified By: DCM Gene A. Cretz for reasons 1.4(b) and (d)

1. (C) Summary: Shimon Peres told CODEL Shays that Palestinian patience with ineffectual Hamas governance will run out sooner than Hamas thinks, and that the USG must encourage PA President Mahmoud Abbas to be courageous in standing up to Hamas. He asked the USG to encourage the GOI to work with Abbas, and to pressure Hamas to accept the Quartet's three conditions. He also noted his opposition to IDF military operations in Gaza. Peres is particularly worried about the effect of the war in Iraq on Jordan, and said that the USG and GOI must provide economic assistance to the Hashemite Kingdom in order to ensure it remains a strong, stable state. Finally, Peres briefed the CODEL on his idea to provide economic assistance to Jordan by constructing a Qualified Industrial Zone (QIZ) along the Jordanian border from the Dead Sea to Eilat. End Summary.

2. (C) On April 20, CODEL Shays, consisting of Representative Christopher Shays (R-CT), Dr. R. Nicholas Palarino, Michael McCarthy, MAJ Carolyn Closs-Walford, and Econoff met with Shimon Peres, former Prime Minister and current Kadima Party Member of the Knesset.

ELECTORAL HONEYMOON OVER FOR HAMAS

3. (C) Peres said that while Palestinian political divisions have delayed the peace process, he preferred a divided Palestinian population to one that was united behind Hamas. He believes that Hamas, as a religious movement, does not understand the political urgency of dealing pragmatically with the many Palestinian problems. He said that Hamas' inability to govern is becoming more apparent with each passing day, and that Palestinians will eventually lose patience. He predicted that the Hamas leadership of the PA could last as little as one year, but perhaps as long as ten years. He praised Palestinian President Abbas for "showing courage" against Hamas and said that without Abbas, the Israeli-Palestinian situation would be even more bleak. He concluded by asking the USG to encourage Abbas to resist Hamas, encourage the GOI to work with Abbas, and to pressure Hamas to accept the Quartet's three conditions. When asked directly by Congressman Shays, Peres said that he is opposed to Israeli ground operations inside Gaza.

BETWEEN IRAQ AND A HARD PLACE

4. (C) Peres said that Iraq is bracketed by two neighboring states competing to influence its internal affairs. One neighbor, Iran, is more interested in bleeding the U.S. military in Iraq than assisting the Iraqis in forming a stable government. The other neighbor, Jordan, is threatened by instability in Iraq and is actively training Iraqi security forces. Peres expressed concern about the Hashemite Kingdom's strength as a state, and said that the USG and GOI must provide economic assistance to Jordan to strengthen King Abdallah's position against his enemies.

PRIVATIZING PEACE

5. (C) Unfolding a map of Israel in front of the CODEL, Peres explained his concept for the creation of a new Qualified Industrial Zone (QIZ) along the 400 kilometer border with Jordan between the Dead Sea and Eilat. Peres described a QIZ that would employ several hundred thousand Jordanians, Israelis and Palestinians while improving the political climate through the promotion of trade. He said that the economic engines driving this QIZ will be copper, tourism, and agriculture. According to Peres, Israeli geologists discovered that the copper veins of King Solomon's mines actually stretch into Jordan and are available for the Jordanians to exploit. He detailed a plan to construct two man-made lakes between the Dead Sea and Gulf of Aqaba that would draw tourists and real estate development. The lakes would be connected to both the Dead Sea and Red Sea by an irrigation pipe, which would replenish the Dead Sea while supporting year-round agriculture. He said that the GOI

supports the Jordanian desire to make the Aqaba airport an international airport, saying that in time of war, Israel could take such an airport by force less expensively than building its own.

16. (C) Repeating his philosophy of "privatizing peace," Peres said that governments are too risk-averse and bureaucracy-bound to take the bold actions required to make peace. Peres stated bluntly that he cannot count on receiving funds for this project from the USG or GOI, because governments have budgets, not capital. Consequently, Peres believes this QIZ should be funded by private investors and managed by an international bank, under the direction of an internationally prestigious board. He claimed that former President Bill Clinton, former Secretary of State James Baker, a former President of Poland, a former Prime Minister of Turkey and a former Prime Minister of Spain have already agreed to sit on this board. He also said that he has received letters from several international banks expressing interest in managing the QIZ.

17. (C) Peres also mentioned a related plan to construct a railroad from the port city of Haifa to Jordan in order to more efficiently transport goods to Iraq by eliminating the need to transit the Suez Canal and Arabian Peninsula.

18. (U) CODEL Shays did not have the opportunity to clear this cable before departing post.

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JONES